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### Live Horse Markets in China

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Product Brief

Sanitary/Phytosanitary/Food Safety

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**Report Highlights:**

Horse riding is growing rapidly in popularity in China, with riding clubs now present near most major cities. The development of this industry is creating markets for a wide range of products, from live horses for riding and breeding, to feed products, to various support services. This product brief outlines the growth and potential of the market for horses, along with the technical issues involved in exporting horses to China. Miles (Jiancong) Yao is a veterinarian working for USDA's Animal and Plant Health Inspection Service; Lisa Hurley is a consultant to Chinese horse riding clubs with experience exporting horses to China.

## Executive Summary:

Horse riding is gaining in popularity among China's wealthy and middle class. As a result, imports of live horses by equestrian clubs and by super wealthy for entertainment and competition are on the rise. This paper examines China's live horse import statistics for the past several years. Based on the historical data, it also forecasts three scenarios for future imports and an optimistic rising future trend. The live horse trade business involves many stakeholders, including but not limited to the veterinary service agencies, customs, banking, veterinarians, nutritionists and stable hands, trainers, airlines, and inspection agencies. The coordination will not be an easy task and there are many uncertainties. For this reason, this article also pinpoints the important things the traders must know to make informed decisions.

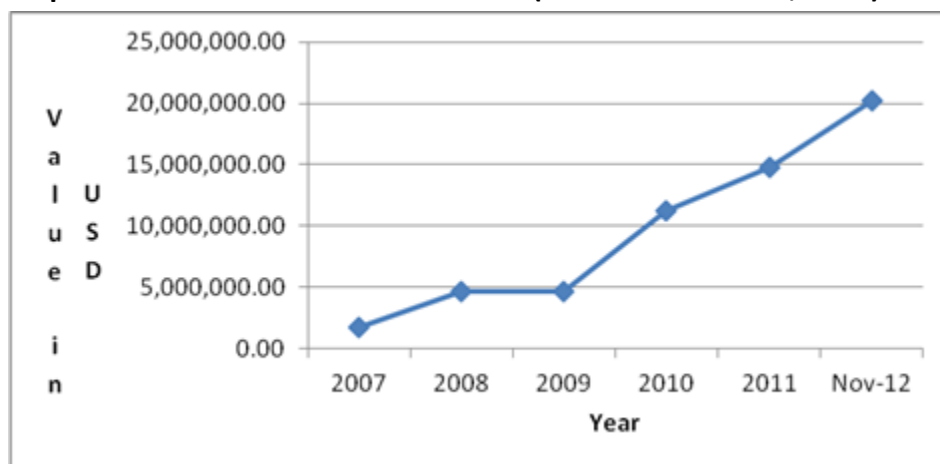
The growing horse industry in China provides numerous opportunities for those businesses directly involved with the horse industry's value chain, including: horse accessories and equipment, training, healthcare, and nutrition. There are also numerous businesses outside the value chain that could see benefits to their brands, including companies that sponsor horse racing events. However, this article will not explore those implications.

## General Information:

### A Review of the Current Status of Live Horses Imports into China

From 2011 to November 2012, China saw a record increase of over 37% for imported live horses, and a cumulative average growth rate (CAGR) of 64.2 % from 2007 to 2012. Notable increases were in 2009 (\$4.7 million USD), 2010 (\$11.2 million USD), 2011 (\$14.8 million USD) and 2012 (\$20 million USD).

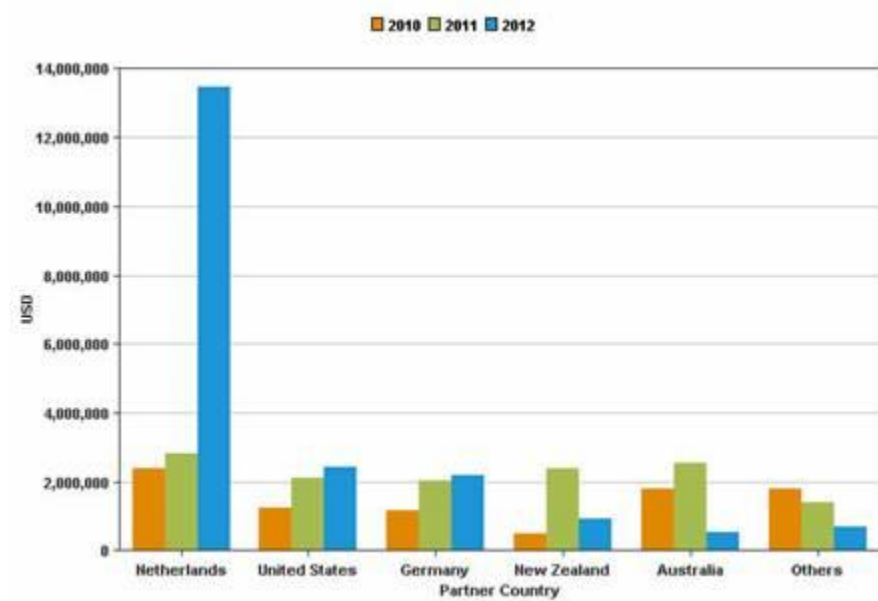
**Figure 1: China Imports of Live Horses from the World (2007 to November, 2012)**



The Netherlands, Australia, Germany, the United States and New Zealand remain the five major live

horse exporters to China. From the Netherlands, Germany, and the United States, there has been a consistent trend of increases in live horse exports for the past three years. Seemingly, the Netherlands performed exceptionally well in 2012, having exported 13.4 million worth of horses to China, nearly 4 times 2011's \$3.5 million worth of export. The Netherlands outstanding growth is not due to domestically raised horses, but to the fact that the only airline specializing in flying horses worldwide, except for charter planes, is KLM, a Dutch company. It appears as if the horses are coming from the Netherlands, however, it is the transport that is making this appear that way. The only way English horses, French horses, Danish horses, Russian horses can go to China is via Amsterdam by KLM. These horses do quarantine in the Netherlands, thus enter China on the protocol between China and the Netherlands. Spanish Horses do the quarantine in Germany under the German protocol but fly out of the Netherlands. However, as can be seen from the trade data, somehow, New Zealand and Australia both saw a dramatic decline in exports.

**Figure 2: Distribution of Live Horses Imports from Major Trade Partners**



(Source: <http://www.gtis.com>)

Horses have primarily been imported for pleasure. The different provincial teams are importing horses for jumping. Most of those horses have come from Germany and the Netherlands. A few have been imported for Dressage. The wealthy Chinese buyers or elite buyers have also imported western horses.

In most parts of China, talented trainers are a scarce resource. However, a few equestrian clubs have trainers and have imported a few green horses with very solid basic training.

China's horse racing industry hasn't gotten off the ground yet, and very few race horses have been imported to date. So far, the cold blooded horses being imported have only been the Friesians. The Friesians have recently been bred to be lighter in weight, not just for carriage driving. Arabian horses

have been imported, but the primary use has been for show, and not the traditional use as a riding horse. Originally polo ponies were imported from Australia, but now they are coming in from England via the Netherlands. Some traders have imported quite a few American horses, including quarter horses, paints and mustangs for performance. A few breeds were imported for purposes such as eventing. Some others were imported for demonstration in a horse zoo/museum.

There is no clear indication whether the equestrian clubs in China will initiate their own breeding programs. Only a few breeding stallions have been imported and no breeding mares have come in. The importation of horse semen has not yet been approved by the regulatory agency.

## Future Trade Prospects

### Market Trends

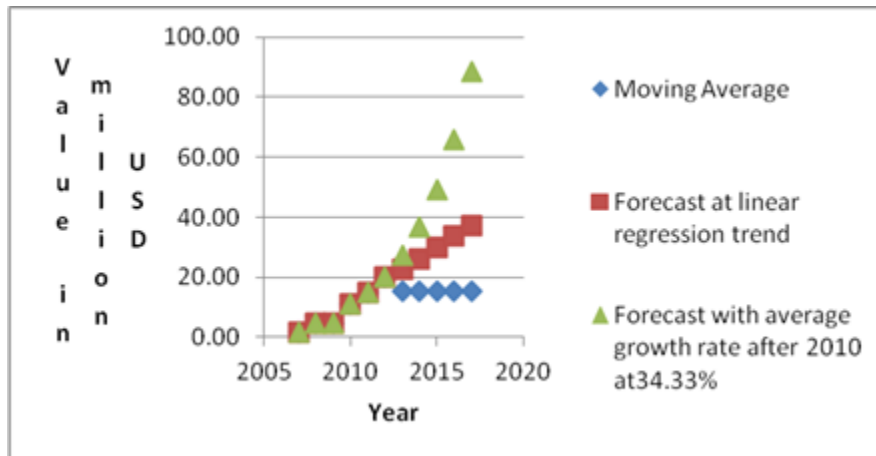
This article projects three scenarios of sales prospects for future live horse exports into China (fig 3).

*Scenario 1:* Moving average trend. As 2010 represented a huge difference compared with 2009, we average the sales value for 2010 through 2012, and move the average 15.42 million USD through 2017.

*Scenario 2:* Grow at the linear regression trend. We plotted the historical data and got a trend equation:  $y=3.709x-3.441$ , where  $x$  represents the number of years; For example, 7 would represent 2013. We expect that 2013 will have a live horse sales value of \$22.52 million, and in 2017 we expect \$37.62 million in export sales.

*Scenario 3:* The average growth rate of 34.33%. The average growth rate of 34.33% from 2010 to 2012 will continue for the next five years. This represents the most optimistic possibility. In this scenario, we would expect to see \$27.52 million in export sales in 2013 and \$88.61 million in 2017.

**Figure 3: the Forecasts of Live Horse Imports into China for the Next Five Years**



### The Expected Modification of Stringent Trade Protocols Create More Willingness to Export

The United States Department of Agriculture (USDA) is currently working with its Chinese counterparts

to modify the horse export protocol from the U.S. to China, which was agreed on in 1994. Some testing requirements in this protocol are viewed by the industry as over stringent and do not comply with international standards, so they pose great impediments to the horse trade. The expected modifications of some of these testing requirements will expand the export pool of horses and reduce risks associated with testing. This might result in exporters being more willing to export. If this happens, we will likely see sales continuing on a fast growth track.

### **Pilot Projects or Deregulation of Horse Racing in China Render New Opportunities**

Complementary to the rising interest in horse riding in China, there has been a slow re-emergence of the sport of horse racing, although the obstacles to this are still substantial. However, interest in a revival of horse racing has been persistent; it is being driven by investors, and provincial and municipal governments. Several pilot projects are under way. One project involves the building of a racing complex, being a part of the 10-year goal to build a Horse City in Tianjin; this project is backed by the Chinese government and developers in Dubai. Also, the city of Wuhan has a three year plan to create a horse city around its existing racetrack. Additionally, in the city of Chengdu, a racetrack is being built with assistance from the Australian government. The success of these horse cities may depend on whether on-track betting is legalized, but the need to bring in high performing race horses is real. There are uncertainties, but the investors are undeterred. When there is a compromise from the government, the need for top performing race horses will boom.

### **The Important Things a Horse Trader Has to Know to Make Informed Decisions**

#### **Permits and horse movement**

Required permits include import permits from the importing country, interstate movement permits and export health certificates. Permits are normally complicated. It is necessary to understand all requirements of the importing country and check with your veterinarians. The efforts you spent on checking the import requirements will help you determine whether your horses meet the requirements, and you can test your horses properly according to the protocol. It is normally helpful to talk to an experienced official veterinarian who covers your region and issues or endorses the export health certificate in order to gain a sense of potential obstacles before you collect samples for testing. In some countries, you need to obtain a permit to move the horses from one state to another by trucking.

#### **Knowledge of Horses to make a pre-selection before showing clients**

Use your professional experiences to do a pre-selection based on your understanding of what your clients are asking for and your knowledge about their expectations. To select good from good you can't go too wrong but from zero to excellent with no knowledge is almost impossible. A good presentation to your clients of the traits and performance of each horse will help build mutual trust, and foster a long term relationship.

#### **Make sure you have some control while the horses are in Quarantine**

Control in quarantine includes understanding individual horse feeding and exercise, and knowing the infrastructure of the quarantine facility. You need to understand each individual horse. It is necessary

to have a knowledgeable person for feeding and training in quarantine in all the countries involved. Some experienced traders take the step to take over the quarantine in all countries, and even slept in the barn for about 50 days and personally feed and clean the stalls, etc. Having an experienced and knowledgeable agent to clear the horses through customs is also critical to reduce any potential stress to the horses, due to delay in waiting. An extra 10 hours or more is a great hardship on the horses. All the efforts will help you succeed in getting the horses to your clients in a good state of health.

### **Knowledge of horse equipment, accessories and horse medicine**

If you do not ride a horse, the saddles all look the same. Some saddles really hurt the horses. Many of the everyday equipment such as horse walker, salt block holders, feed bins, prefab, stalls etc. are not available in China. Your knowledge and guidance can be invaluable to your clients for them to have the right equipment and accessories for the horses. Reciprocally, your extra efforts can pave the road to success for your businesses. You also need to be aware that many equine veterinary equipment and medicine commercially available in Europe or in the U.S. are not sold in China. You need to know where and how to purchase them and get them in and out of the prospective countries.

### **Knowledge of horse nutrition**

Horses can eat a variety of things. Almost always, every country has the food to feed horses. Ideally at least four different grains and hay need to be added together so the horse can produce its own protein. If you combine any four normally the amino acid chain is completed so the horse can take care of itself. Having somebody who is knowledgeable and experienced in horse nutrition is also highly beneficial to both you and your clients.

### **Training of veterinarians in and out of China**

Access to a western trained veterinarian is invaluable. Horse veterinarians are a scarce resource in China, as the horse industry is still very new in China. Many equestrian clubs have very little experience in horses when they start. A trader might need to consider hiring Western veterinarians, and blacksmiths and foreign trainers. These veterinarians, blacksmiths and trainers can train local veterinarians and stable hands, so the local employees have the knowledge and expertise when the foreigners are gone. Otherwise, it should not be a surprise when you witness improper care to the horses because people lack experience and knowledge on caring for a horse. It is even worthwhile to consider sending the promising Chinese veterinarians overseas to be trained in a foreign school or at a breeding farm. Regarding training for local professionals, one should never be ignorant of the cultural difference; navigating a different culture is not always an easy task; education without insulting is an art. Being nice, humble, patient and respectful to others will always be rewarded.

### **Reference:**

Catherine Baker. China Horse Market Profile (January, 2011). Gain Report from United States Department of Agriculture's Foreign Agricultural Service Global Agricultural Information Network.

### **Exhibit 1: China Live Horses Import Statistics**

						2012/20	
2007	2008	2009	2010	2011	Nov-12	11	CAGR

<b>World</b>	1,696,997.00	4,619,002.00	4,673,851.00	11,225,327.00	14,778,733.00	20,256,651.00	37.07%	64.20%
<b>Netherlands</b>	435,605.00	1,190,897.00	1,010,210.00	3,112,339.00	3,453,202.00	13,448,363.00	289.45%	98.57%
<b>Australia</b>	480,365.00	357,084.00	895,606.00	2,365,467.00	2,528,355.00	548,956.00	-78.29%	2.71%
<b>New Zealand</b>	21,511.00	12,333.00	21,483.00	487,696.00	2,389,444.00	941,293.00	-60.61%	112.92%
<b>Germany</b>	622,486.00	906,542.00	1,570,925.00	1,157,529.00	2,336,703.00	2,187,152.00	-6.40%	28.57%
<b>United States</b>	16,919.00	1,370,075.00	36,323.00	2,263,372.00	2,102,761.00	2,442,105.00	16.14%	170.32%
<b>Japan</b>	0.00	0.00	0.00	514,992.00	1,046,050.00	390,531.00	-62.67%	-
<b>Russia</b>	30,000.00	210,514.00	78,225.00	162,916.00	628,604.00	54,094.00	-91.39%	12.51%
<b>Hong Kong</b>	82,811.00	174,716.00	33,500.00	18,000.00	246,727.00	197,110.00	-20.11%	18.94%
<b>Mongolia</b>	0.00	36,230.00	871,609.00	1,097,871.00	44,000.00	44,730.00	1.66%	-
<b>United Kingdom</b>	4,994.00	770.00	2,903.00	1,159.00	1,732.00	1,738.00	0.35%	19.03%
<b>Canada</b>	2,306.00	385.00	1,742.00	580.00	1,155.00	0.00	100.00%	-
<b>France</b>	0.00	359,456.00	44,531.00	0.00	0.00	0.00	-	100.00%
<b>Argentina</b>	0.00	0.00	581.00	0.00	0.00	0.00	-	0%
<b>Kazakhstan</b>	0.00	0.00	31,500.00	43,406.00	0.00	0.00	-	-
<b>Tanzania</b>	0.00	0.00	74,713.00	0.00	0.00	0.00	-	-

(Source: <http://www.gtis.com>)

**Exhibit 2: The forecast of live horse sales value through 2013 to 2017**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Moving Average	1.70	4.62	4.67	11.23	14.78	20.26	15.42	15.42	15.42	15.42	15.42
Forecast at linear regression trend	1.70	4.62	4.67	11.23	14.78	20.26	22.52	26.23	29.94	33.65	37.36
Forecast with average growth rate after 2010 at 34.33%	1.70	4.62	4.67	11.23	14.78	20.26	27.21	36.55	49.10	65.96	88.61

**Exhibit 3, Plot of the historical data and the trendline**

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